

MAJOR PROPRIETARY FUNDS

The **Light Fund** (City Light) accounts for the operations of the City-owned electric utility. City Light serves approximately 365,000 customers in the Seattle area. In 2003 about 696 average annual megawatts (aaMW) of energy were generated from owned hydroelectric production facilities and about 781 aaMW of energy were obtained through long-term purchased power agreements. The total system load for the year for City Light retail customers was about 1,097 aaMW. Net short-term wholesale power sales and others were about 380 aaMW.

The **Water Fund** accounts for operating the City-owned water utility. The Utility maintains approximately 181 miles of supply mains and 507 million gallons of distribution storage capacity in the Cedar and Tolt Rivers and Highline Well Field watersheds. The distribution system serves a population of 1.3 million people with an average daily consumption of 131 million gallons of water. The Utility owns and manages a large portion of its watersheds and derives occasional supplementary revenues from timber sales.

The **Drainage and Wastewater Fund** accounts for operating the sewer and drainage utility facilities and its pumping stations. These facilities and stations are necessary to collect the sewage of the City and discharge it into the King County Department of Natural Resources Wastewater Treatment Division's system for treatment and disposal. The Utility maintains about 1,956 miles of sewers and drains, nearly one-half of which are separate sanitary sewers and storm drains.

Descriptions for the nonmajor enterprise funds and the internal funds are provided in the combining statements section.

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2003

(In Thousands)

	L i g h t		W a t e r	
	2003	Restated 2002	2003	Restated 2002
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 9,347	\$ 34,695	\$ 5,876	\$ 3,991
Restricted Cash and Equity in Pooled Investments	7,407	158,268	30,972	22,482
Receivables, Net of Allowances				
Accounts	75,650	69,258	9,345	10,529
Unbilled	61,195	60,079	6,883	7,077
Energy Contracts, Notes, and Other Contracts	5,496	1,848	147	91
Due from Other Funds	1,458	2,627	1,770	725
Due from Other Governments	5,481	1,460	1,200	1,367
Materials and Supplies Inventory	18,725	20,448	4,772	4,827
Prepayments and Other Current Assets	882	575	14	14
Total Current Assets	185,641	349,258	60,979	51,103
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	83,781	82,614	12,197	677
Restricted Investments	68,244	-	24,194	-
Restricted Receivables and Other	-	-	242	-
Unamortized Bond Issue Costs, Net	5,316	4,462	4,846	4,631
Notes and Contracts Receivable	-	-	465	710
Capitalized Purchased Power Commitment	45,130	50,280	-	-
Deferred Conservation Costs, Net	-	-	16,018	13,273
Deferred Landfill Closure and Postclosure Costs, Net	-	-	-	-
Prepaid Secondary Treatment Service	-	-	-	-
Capitalized Energy Management Services, Net	116,278	108,005	-	-
Deferred Power Costs	100,000	200,000	-	-
Capitalized Relicensing Costs	14,328	12,765	-	-
Other Deferred Charges	50,977	52,201	5,774	2,942
Capital Assets				
Land and Land Rights	39,771	32,854	13,656	13,548
Plant in Service, Excluding Land	2,152,681	2,032,484	1,058,829	972,632
Less Accumulated Depreciation	(914,979)	(862,965)	(304,584)	(278,491)
Building and Improvements	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Machinery and Equipment	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Construction in Progress	101,524	135,358	163,423	159,569
Other Property, Net	11,861	7,704	275	275
Total Noncurrent Assets	1,874,912	1,855,762	995,335	889,766
Total Assets	2,060,553	2,205,020	1,056,314	940,869

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2003

(In Thousands)

	Drainage and Wastewater		Nonmajor Funds	
	2003	Restated 2002	2003	Restated 2002
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 7,216	\$ 7,133	\$ 24,886	\$ 19,956
Restricted Cash and Equity in Pooled Investments	13,167	53,964	2,224	-
Receivables, Net of Allowances				
Accounts	9,014	8,967	11,326	14,105
Unbilled	10,140	9,144	378	373
Energy Contracts, Notes, and Other Contracts	16	20	-	-
Due from Other Funds	475	405	588	910
Due from Other Governments	720	344	229	935
Materials and Supplies Inventory	-	-	11	13
Prepayments and Other Current Assets	2	1	54	117
Total Current Assets	40,750	79,978	39,696	36,409
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	5,574	5,698	-	-
Restricted Investments	-	-	-	-
Restricted Receivables and Other	-	-	-	-
Unamortized Bond Issue Costs, Net	1,936	2,011	243	279
Notes and Contracts Receivable	-	-	-	-
Capitalized Purchased Power Commitment	-	-	-	-
Deferred Conservation Costs, Net	-	-	-	-
Deferred Landfill Closure and Postclosure Costs, Net	-	-	36,778	39,494
Prepaid Secondary Treatment Service	272	326	-	-
Capitalized Energy Management Services, Net	-	-	-	-
Deferred Power Costs	-	-	-	-
Capitalized Relicensing Costs	-	-	-	-
Other Deferred Charges	7,361	3	1,036	1,284
Capital Assets				
Land and Land Rights	7,379	6,395	1,791	1,591
Plant in Service, Excluding Land	508,035	433,496	33,656	29,669
Less Accumulated Depreciation	(129,929)	(122,367)	(18,429)	(15,503)
Building and Improvements	-	-	73,013	73,013
Less Accumulated Depreciation	-	-	(12,169)	(9,735)
Machinery and Equipment	-	-	10,532	8,129
Less Accumulated Depreciation	-	-	(2,057)	(1,226)
Construction in Progress	78,617	117,734	6,477	4,804
Other Property, Net	-	-	2,374	2,374
Total Noncurrent Assets	479,245	443,296	133,245	134,173
Total Assets	519,995	523,274	172,941	170,582

The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2003

(In Thousands)

	Comparative Totals		Internal Service Funds	
	2003	Restated 2002	2003	2002
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 47,325	\$ 65,775	\$ 42,683	\$ 38,550
Restricted Cash and Equity in Pooled Investments	53,770	234,714	-	-
Receivables, Net of Allowances				
Accounts	105,335	102,859	83	215
Unbilled	78,596	76,673	7	38
Energy Contracts, Notes, and Other Contracts	5,659	1,959	-	-
Due from Other Funds	4,291	4,667	8,517	8,260
Due from Other Governments	7,630	4,106	3,596	4,393
Materials and Supplies Inventory	23,508	25,288	1,986	2,061
Prepayments and Other Current Assets	952	707	2	2
Total Current Assets	327,066	516,748	56,874	53,519
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	101,552	88,989	63	57
Restricted Investments	92,438	-	-	-
Restricted Receivables and Other	242	-	-	-
Unamortized Bond Issue Costs, Net	12,341	11,383	-	-
Notes and Contracts Receivable	465	710	-	-
Capitalized Purchased Power Commitment	45,130	50,280	-	-
Deferred Conservation Costs, Net	16,018	13,273	-	-
Deferred Landfill Closure and Postclosure Costs, Net	36,778	39,494	-	-
Prepaid Secondary Treatment Service	272	326	-	-
Capitalized Energy Management Services, Net	116,278	108,005	-	-
Deferred Power Costs	100,000	200,000	-	-
Capitalized Relicensing Costs	14,328	12,765	-	-
Other Deferred Charges	65,148	56,430	-	-
Capital Assets				
Land and Land Rights	62,597	54,388	81	86
Plant in Service, Excluding Land	3,753,201	3,468,281	-	-
Less Accumulated Depreciation	(1,367,921)	(1,279,326)	-	-
Building and Improvements	73,013	73,013	3,086	22,104
Less Accumulated Depreciation	(12,169)	(9,735)	(61)	(7,086)
Machinery and Equipment	10,532	8,129	143,755	140,533
Less Accumulated Depreciation	(2,057)	(1,226)	(78,653)	(90,649)
Construction in Progress	350,041	417,465	3,631	3,386
Other Property, Net	14,510	10,353	-	-
Total Noncurrent Assets	3,482,737	3,322,997	71,902	68,431
Total Assets	3,809,803	3,839,745	128,776	121,950

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2003

(In Thousands)

	L i g h t		W a t e r	
	2003	Restated 2002	2003	Restated 2002
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 32,132	\$ 51,690	\$ 10,014	\$ 11,310
Salaries, Benefits, and Payroll Taxes Payable	4,949	4,668	1,672	1,357
Contracts Payable	-	-	-	-
Compensated Absences Payable	496	847	339	482
Interfund Loans Payable	70,000	-	-	-
Due to Other Funds	5,892	6,566	2,399	2,880
Due to Other Governments	-	-	-	-
Interest Payable	19,798	21,531	11,132	7,925
Deferred Interest on Long-Term Debt Due Within One Year	-	-	-	-
Taxes Payable	9,529	8,541	497	387
General Obligation Bonds Due Within One Year	-	-	-	-
Revenue Bonds Due Within One Year	53,820	40,615	21,600	20,364
Revenue Anticipation Notes	-	307,210	-	-
Energy and Other Contracts Payable	3,545	5,388	-	-
Claims Payable	3,166	2,581	1,032	645
Purchased Power Obligation	10,300	-	-	-
Notes and Contracts Payable	-	-	118	118
Landfill Closure and Postclosure Liability	-	-	-	-
Arbitrage Rebate Liability	-	466	-	-
Deferred Credits	10,743	2,536	2,194	584
Other Current Liabilities	1,502	1,998	-	-
Total Current Liabilities	225,872	454,637	50,997	46,052
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	5,159	-	-	-
Compensated Absences Payable	10,222	9,819	3,074	2,679
Claims Payable	10,491	7,895	5,297	3,190
Notes Payable	-	-	-	-
Long-Term Purchased Power Obligation	45,130	50,280	-	-
Less Obligation Due Within One Year	(10,300)	-	-	-
Public Works Trust Loan	-	-	1,064	1,182
Landfill Closure and Postclosure Liability	-	-	-	-
Vendor and Other Deposits Payable	-	-	136	677
Deferred Credits	26,228	-	5,919	569
Other Noncurrent Liabilities	174	18,681	35	107
General Obligation Bonds, Due Serially	-	-	-	-
Less Bonds Due Within One Year	-	-	-	-
Bond Discount and Premium, Net	-	-	-	-
Accrued Interest on Deferred Interest Bonds	-	-	-	-
Less Accrued Interest Due Within One Year	-	-	-	-
Revenue Bonds and Anticipation Notes	1,521,526	1,429,186	731,485	654,130
Less Revenue Bonds Due Within One Year	(53,820)	(40,615)	(21,600)	(20,364)
Bond Discount and Premium, Net	28,240	17,128	11,241	(4,818)
Deferred Loss on Advanced Refunding	(38,495)	(40,251)	(11,834)	(6,182)
Total Noncurrent Liabilities	1,544,555	1,452,123	724,817	631,170
Total Liabilities	1,770,427	1,906,760	775,814	677,222
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	158,452	189,756	270,619	257,368
Restricted for Deferred Power Costs	100,000	200,000	-	-
Restricted for Other Purposes	56,831	68,755	12,988	4,785
Unrestricted	(25,157)	(160,251)	(3,107)	1,494
Total Net Assets	\$ 290,126	\$ 298,260	\$ 280,500	\$ 263,647

Adjustment to Reflect the Consolidation of Internal
Service Fund Activities Related to Enterprise Funds
and Prior-Year Adjustment

Net Assets of Business-Type Activities

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2003

(In Thousands)

	Drainage and Wastewater		Nonmajor Funds	
	2003	Restated 2002	2003	Restated 2002
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 3,088	\$ 6,811	\$ 9,679	\$ 10,727
Salaries, Benefits, and Payroll Taxes Payable	947	737	1,427	1,314
Contracts Payable	-	-	-	-
Compensated Absences Payable	190	260	333	399
Interfund Loans Payable	-	2,501	-	-
Due to Other Funds	3,182	3,130	2,704	1,876
Due to Other Governments	6,955	1,684	35	167
Interest Payable	3,180	1,321	724	799
Deferred Interest on Long-Term Debt Due Within One Year	-	-	287	82
Taxes Payable	173	155	479	458
General Obligation Bonds Due Within One Year	-	-	1,003	363
Revenue Bonds Due Within One Year	5,225	4,370	3,770	3,585
Revenue Anticipation Notes	-	-	-	-
Energy and Other Contracts Payable	-	-	-	-
Claims Payable	932	1,491	220	142
Purchased Power Obligation	-	-	-	-
Notes and Contracts Payable	9	9	-	-
Landfill Closure and Postclosure Liability	-	-	1,093	1,090
Arbitrage Rebate Liability	-	-	82	78
Deferred Credits	273	-	10,740	11,290
Other Current Liabilities	91	90	140	83
Total Current Liabilities	24,245	22,559	32,716	32,453
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	-	-	-	-
Compensated Absences Payable	1,722	1,447	2,500	2,317
Claims Payable	7,588	3,075	579	325
Notes Payable	-	-	-	-
Long-Term Purchased Power Obligation	-	-	-	-
Less Obligation Due Within One Year	-	-	-	-
Public Works Trust Loan	28	38	-	-
Landfill Closure and Postclosure Liability	-	-	26,330	27,425
Vendor and Other Deposits Payable	406	615	25	76
Deferred Credits	-	-	-	-
Other Noncurrent Liabilities	195	337	-	19
General Obligation Bonds, Due Serially	-	-	73,177	73,540
Less Bonds Due Within One Year	-	-	(1,003)	(363)
Bond Discount and Premium, Net	-	-	333	346
Accrued Interest on Deferred Interest Bonds	-	-	3,256	2,627
Less Accrued Interest Due Within One Year	-	-	(287)	(82)
Revenue Bonds and Anticipation Notes	244,410	248,780	35,430	32,815
Less Revenue Bonds Due Within One Year	(5,225)	(4,370)	(3,770)	(3,585)
Bond Discount and Premium, Net	563	576	559	667
Deferred Loss on Advanced Refunding	(2,127)	(2,246)	(1,151)	(1,357)
Total Noncurrent Liabilities	247,560	248,252	135,978	134,770
Total Liabilities	271,805	270,811	168,694	167,223
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	237,375	244,047	9,605	8,225
Restricted for Deferred Power Costs	-	-	-	-
Restricted for Other Purposes	7,211	3,532	1,867	1,743
Unrestricted	3,604	4,883	(7,225)	(6,609)
Total Net Assets	\$ 248,190	\$ 252,462	\$ 4,247	\$ 3,359

Adjustment to Reflect the Consolidation of Internal
Service Fund Activities Related to Enterprise Funds
and Prior-Year Adjustment

Net Assets of Business-Type Activities

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2003

(In Thousands)

	Comparative Totals		Internal Service Funds	
	2003	Restated 2002	2003	2002
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 54,913	\$ 80,538	\$ 3,830	\$ 6,446
Salaries, Benefits, and Payroll Taxes Payable	8,995	8,076	1,664	1,489
Contracts Payable	-	-	97	81
Compensated Absences Payable	1,358	1,988	274	380
Interfund Loans Payable	70,000	2,501	-	-
Due to Other Funds	14,177	14,452	4,587	2,400
Due to Other Governments	6,990	1,851	-	-
Interest Payable	34,834	31,576	103	112
Deferred Interest on Long-Term Debt Due Within One Year	287	82	-	-
Taxes Payable	10,678	9,541	1	-
General Obligation Bonds Due Within One Year	1,003	363	1,101	1,467
Revenue Bonds Due Within One Year	84,415	68,934	-	-
Revenue Anticipation Notes	-	307,210	-	-
Energy and Other Contracts Payable	3,545	5,388	-	-
Claims Payable	5,350	4,859	473	298
Purchased Power Obligation	10,300	-	-	-
Notes and Contracts Payable	127	127	246	-
Landfill Closure and Postclosure Liability	1,093	1,090	-	-
Arbitrage Rebate Liability	82	544	-	-
Deferred Credits	23,950	14,410	115	72
Other Current Liabilities	1,733	2,171	-	-
Total Current Liabilities	333,830	555,701	12,491	12,745
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	5,159	-	5,200	5,950
Compensated Absences Payable	17,518	16,262	2,878	2,667
Claims Payable	23,955	14,485	990	653
Notes Payable	-	-	-	-
Long-Term Purchased Power Obligation	45,130	50,280	-	-
Less Obligation Due Within One Year	(10,300)	-	-	-
Public Works Trust Loan	1,092	1,220	810	-
Landfill Closure and Postclosure Liability	26,330	27,425	-	-
Vendor and Other Deposits Payable	567	1,368	63	57
Deferred Credits	32,147	569	-	-
Other Noncurrent Liabilities	404	19,144	1,178	-
General Obligation Bonds, Due Serially	73,177	73,540	4,506	5,972
Less Bonds Due Within One Year	(1,003)	(363)	(1,101)	(1,467)
Bond Discount and Premium, Net	333	346	141	164
Accrued Interest on Deferred Interest Bonds	3,256	2,627	-	-
Less Accrued Interest Due Within One Year	(287)	(82)	-	-
Revenue Bonds and Anticipation Notes	2,532,851	2,364,911	-	-
Less Revenue Bonds Due Within One Year	(84,415)	(68,934)	-	-
Bond Discount and Premium, Net	40,603	13,553	-	-
Deferred Loss on Advanced Refunding	(53,607)	(50,036)	-	-
Total Noncurrent Liabilities	2,652,910	2,466,315	14,665	13,996
Total Liabilities	2,986,740	3,022,016	27,156	26,741
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	676,051	699,396	67,192	62,236
Restricted for Deferred Power Costs	100,000	200,000	-	-
Restricted for Other Purposes	78,897	78,815	-	-
Unrestricted	(31,885)	(160,483)	34,428	32,972
Total Net Assets	823,063	817,728	<u>\$ 101,620</u>	<u>\$ 95,208</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds and Prior-Year Adjustment	(1,334)	(1,539)		
Net Assets of Business-Type Activities	<u>\$ 821,729</u>	<u>\$ 816,189</u>		

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES

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IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended December 31, 2003

(In Thousands)

	L i g h t		W a t e r	
	2003	Restated 2002	2003	2002
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 739,005	\$ 697,892	\$ 129,561	\$ 118,160
OPERATING EXPENSES				
Long-Term Purchased Power	240,505	222,944	-	-
Short-Term Wholesale Power Purchases	24,233	12,441	-	-
Generation	20,211	18,546	-	-
Transmission	34,511	35,353	-	-
Distribution	39,116	37,650	-	-
Energy Management and Other Power Expenses	32,154	17,663	-	-
Resource Management	-	-	7,561	8,312
Field Operations	-	-	25,489	24,233
Engineering Services	-	-	3,160	2,623
Customer Services	31,068	27,566	7,991	8,075
Wastewater Treatment	-	-	-	-
Solid Waste Collection	-	-	-	-
Operations and Maintenance	-	-	-	-
General and Administrative	47,393	40,315	12,069	10,652
City Business and Occupation Taxes	33,608	33,913	8,942	7,868
Other Taxes	27,999	26,260	4,622	3,929
Amortization of Deferred Power Costs	100,000	100,000	-	-
Amortization of Landfill and Postclosure Costs	-	-	-	-
Depreciation and Other Amortization	69,270	66,486	28,123	25,171
Total Operating Expenses	700,068	639,137	97,957	90,863
Operating Income (Loss)	38,937	58,755	31,604	27,297
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	3,813	10,110	809	1,148
Interest Expense	(73,935)	(81,340)	(25,948)	(23,952)
Amortization of Debt Costs	(3,120)	(2,717)	(957)	(1,279)
Gain (Loss) on Sale of Capital Assets	698	695	-	-
Loss on Tacoma Project	-	-	-	(6,636)
Others, Net	(661)	(337)	6,596	(175)
Total Nonoperating Revenues (Expenses)	(73,205)	(73,589)	(19,500)	(30,894)
Income (Loss) Before Contributions, Grants, and Transfers	(34,268)	(14,834)	12,104	(3,597)
Capital Contributions and Grants	25,090	12,228	4,749	6,167
Operating Contributions and Grants	1,044	741	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Change in Net Assets	(8,134)	(1,865)	16,853	2,570
Net Assets -Beginning of Year	298,260	300,125	263,647	261,077
Prior-Year Adjustment	-	-	-	-
Net Assets - Beginning of Year As Restated	298,260	300,125	263,647	261,077
Net Assets - End of Year	\$ 290,126	\$ 298,260	\$ 280,500	\$ 263,647
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds				
Change in Net Assets of Business-Type Activities				

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES

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IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended December 31, 2003

(In Thousands)

	<u>Drainage and Wastewater</u>		<u>Nonmajor Funds</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 150,722	\$ 144,486	\$ 148,730	\$ 144,130
OPERATING EXPENSES				
Long-Term Purchased Power	-	-	-	-
Short-Term Wholesale Power Purchases	-	-	-	-
Generation	-	-	-	-
Transmission	-	-	-	-
Distribution	-	-	-	-
Energy Management and Other Power Expenses	-	-	-	-
Resource Management	6,757	5,381	6,354	7,129
Field Operations	10,994	11,883	7,212	7,277
Engineering Services	3,278	2,319	220	276
Customer Services	5,949	5,562	5,497	5,820
Wastewater Treatment	85,041	86,685	-	-
Solid Waste Collection	-	-	58,616	58,861
Operations and Maintenance	-	-	32,998	35,265
General and Administrative	7,157	5,596	12,851	9,566
City Business and Occupation Taxes	14,727	14,157	14,848	14,407
Other Taxes	1,805	1,844	4,647	4,366
Amortization of Deferred Power Costs	-	-	-	-
Amortization of Landfill and Postclosure Costs	-	-	2,714	2,771
Depreciation and Other Amortization	7,616	7,559	6,540	5,781
Total Operating Expenses	143,324	140,986	152,497	151,519
Operating Income (Loss)	7,398	3,500	(3,767)	(7,389)
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	1,086	1,546	407	1,033
Interest Expense	(9,390)	(5,698)	(5,685)	(5,663)
Amortization of Debt Costs	(179)	(230)	(134)	(133)
Gain (Loss) on Sale of Capital Assets	-	-	19	43
Loss on Tacoma Project	-	-	-	-
Others, Net	(3,984)	(18)	-	-
Total Nonoperating Revenues (Expenses)	(12,467)	(4,400)	(5,393)	(4,720)
Income (Loss) Before Contributions, Grants, and Transfers	(5,069)	(900)	(9,160)	(12,109)
Capital Contributions and Grants	610	456	28	-
Operating Contributions and Grants	187	84	451	465
Transfers In	-	-	9,594	6,911
Transfers Out	-	-	(25)	(25)
Change in Net Assets	(4,272)	(360)	888	(4,758)
Net Assets -Beginning of Year	252,462	252,822	3,359	8,117
Prior-Year Adjustment	-	-	-	-
Net Assets - Beginning of Year As Restated	252,462	252,822	3,359	8,117
Net Assets - End of Year	\$ 248,190	\$ 252,462	\$ 4,247	\$ 3,359
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds				
Change in Net Assets of Business-Type Activities				

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES

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IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended December 31, 2003

(In Thousands)

	Comparative Totals		Internal Service Funds	
	2003	Restated 2002	2003	2002
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 1,168,018	\$ 1,104,668	\$ 96,216	\$ 97,371
OPERATING EXPENSES				
Long-Term Purchased Power	240,505	222,944	-	-
Short-Term Wholesale Power Purchases	24,233	12,441	-	-
Generation	20,211	18,546	-	-
Transmission	34,511	35,353	-	-
Distribution	39,116	37,650	-	-
Energy Management and Other Power Expenses	32,154	17,663	-	-
Resource Management	20,672	20,822	-	-
Field Operations	43,695	43,393	-	-
Engineering Services	6,658	5,218	7,549	7,673
Customer Services	50,505	47,023	-	-
Wastewater Treatment	85,041	86,685	-	-
Solid Waste Collection	58,616	58,861	-	-
Operations and Maintenance	32,998	35,265	67,865	72,490
General and Administrative	79,470	66,129	7,005	7,594
City Business and Occupation Taxes	72,125	70,345	2	1
Other Taxes	39,073	36,399	18	3
Amortization of Deferred Power Costs	100,000	100,000	-	-
Amortization of Landfill and Postclosure Costs	2,714	2,771	-	-
Depreciation and Other Amortization	111,549	104,997	13,035	11,516
Total Operating Expenses	1,093,846	1,022,505	95,474	99,277
Operating Income (Loss)	74,172	82,163	742	(1,906)
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	6,115	13,837	960	1,761
Interest Expense	(114,958)	(116,653)	(286)	(295)
Amortization of Debt Costs	(4,390)	(4,359)	-	-
Gain (Loss) on Sale of Capital Assets	717	738	(829)	(432)
Loss on Tacoma Project	-	(6,636)	-	-
Others, Net	1,951	(530)	679	(4,785)
Total Nonoperating Revenues (Expenses)	(110,565)	(113,603)	524	(3,751)
Income (Loss) Before Contributions, Grants, and Transfers	(36,393)	(31,440)	1,266	(5,657)
Capital Contributions and Grants	30,477	18,851	-	8
Operating Contributions and Grants	1,682	1,290	109	102
Transfers In	9,594	6,911	9,142	12,077
Transfers Out	(25)	(25)	(4,105)	(8,006)
Change in Net Assets	5,335	(4,413)	6,412	(1,476)
Net Assets -Beginning of Year			95,208	95,220
Prior-Year Adjustment			-	1,464
Net Assets - Beginning of Year As Restated			95,208	96,684
Net Assets - End of Year			\$ 101,620	\$ 95,208
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds	205	(1,539)		
Change in Net Assets of Business-Type Activities	\$ 5,540	\$ (5,952)		

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2003
(In Thousands)

	L i g h t		W a t e r	
	2003	Restated 2002	2003	Restated 2002
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 751,993	\$ 672,616	\$ 130,250	\$ 116,333
Cash Paid to Suppliers	(394,281)	(304,736)	(7,850)	(3,634)
Cash Paid to Employees	(74,164)	(71,035)	(39,474)	(46,686)
Cash Paid for Taxes	(68,611)	(59,423)	(14,052)	(10,994)
Net Cash from Operating Activities	214,937	237,422	68,874	55,019
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds of Interfund Loan/Note	70,000	-	-	-
Payment of Interfund Loan/Note	-	(100,000)	-	-
Proceeds from Revenue Anticipation Note	-	125,923	-	-
Payment of Revenue Anticipation Note	(307,210)	-	-	-
Interest Paid on RAN and City of Seattle Loan/Note	(7,540)	(11,451)	-	-
Operating Grants Received	2,236	1,289	173	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Receipts for Energy Conservation Augmentation	10,716	19,996	-	-
Payments for Energy Conservation Augmentation	(17,911)	(18,241)	-	-
Intergovernmental Revenues and Other	-	-	6,596	-
Net Cash from Noncapital Financing Activities	(249,709)	17,516	6,769	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	265,520	88,248	282,083	64,923
Principal Payments on Long-Term Debt and Refunding	(164,578)	(128,212)	(194,083)	(18,478)
Payment of Interfund Loan	-	-	-	-
Capital Expenditures and Deferred Charges Paid	(119,996)	(134,173)	(92,784)	(90,641)
Interest Paid On Long-Term Debt	(69,694)	(74,985)	(29,913)	(31,319)
Capital Fees and Grants Received	10,812	11,579	4,576	6,167
Proceeds from Sale of Capital Assets	709	764	-	-
Net Cash from Capital and Related Financing Activities	(77,227)	(236,779)	(30,121)	(69,348)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	40,651	216,781	-	33,578
Purchases of Investments	(108,897)	(114,511)	(24,436)	-
Interest Received on Investments	5,203	10,230	809	1,148
Net Cash from Investing Activities	(63,043)	112,500	(23,627)	34,726
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(175,042)	130,659	21,895	20,397
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	275,577	144,918	27,150	6,753
End of Year	\$ 100,535	\$ 275,577	\$ 49,045	\$ 27,150
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 9,347	\$ 34,695	\$ 5,876	\$ 3,991
Current Assets Restricted Cash and Equity in Pooled Investments	7,407	158,268	30,972	22,482
Noncurrent Assets Restricted Cash and Equity in Pooled Investments	83,781	82,614	12,197	677
Total Cash at the End of the Year	\$ 100,535	\$ 275,577	\$ 49,045	\$ 27,150

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the schedule of noncash activities of the statement of cash flows.

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2003
(In Thousands)

	Drainage and Wastewater		Nonmajor Funds	
	2003	Restated 2002	2003	Restated 2002
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 149,842	\$ 143,162	\$ 153,334	\$ 144,572
Cash Paid to Suppliers	(91,200)	(95,671)	(91,170)	(87,587)
Cash Paid to Employees	(27,233)	(25,915)	(35,313)	(35,653)
Cash Paid for Taxes	(15,371)	(15,160)	(19,854)	(19,314)
Net Cash from Operating Activities	16,038	6,416	6,997	2,018
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds of Interfund Loan/Note	-	2,500	-	-
Payment of Interfund Loan/Note	(2,500)	-	-	-
Proceeds from Revenue Anticipation Note	-	-	-	-
Payment of Revenue Anticipation Note	-	-	-	-
Interest Paid on RAN and City of Seattle Loan/Note	(1)	-	-	-
Operating Grants Received	187	84	451	464
Transfers In	-	-	9,594	6,911
Transfers Out	-	-	(25)	(25)
Receipts for Energy Conservation Augmentation	-	-	-	-
Payments for Energy Conservation Augmentation	-	-	-	-
Intergovernmental Revenues and Other	-	-	-	-
Net Cash from Noncapital Financing Activities	(2,314)	2,584	10,020	7,350
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	-	78,550	6,200	-
Principal Payments on Long-Term Debt and Refunding	(4,379)	(21,505)	(3,948)	(3,405)
Payment of Interfund Loan	-	-	-	(3,000)
Capital Expenditures and Deferred Charges Paid	(40,812)	(51,180)	(7,298)	(7,400)
Interest Paid On Long-Term Debt	(11,068)	(9,891)	(5,274)	(5,429)
Capital Fees and Grants Received	610	414	28	-
Proceeds from Sale of Capital Assets	-	-	20	71
Net Cash from Capital and Related Financing Activities	(55,649)	(3,612)	(10,272)	(19,163)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	-	10,282	-	-
Purchases of Investments	-	-	-	-
Interest Received on Investments	1,087	1,546	409	1,035
Net Cash from Investing Activities	1,087	11,828	409	1,035
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(40,838)	17,216	7,154	(8,760)
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	66,795	49,579	19,956	28,716
End of Year	<u>\$ 25,957</u>	<u>\$ 66,795</u>	<u>\$ 27,110</u>	<u>\$ 19,956</u>
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 7,216	\$ 7,133	\$ 24,886	\$ 19,956
Current Assets Restricted Cash and Equity in Pooled Investments	13,167	53,964	2,224	-
Noncurrent Assets Restricted Cash and Equity in Pooled Investments	5,574	5,698	-	-
Total Cash at the End of the Year	<u>\$ 25,957</u>	<u>\$ 66,795</u>	<u>\$ 27,110</u>	<u>\$ 19,956</u>

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the schedule of noncash activities of the statement of cash flows.

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2003
(In Thousands)

	Comparative Totals		Internal Service Funds	
	2003	Restated 2002	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 1,185,419	\$ 1,076,683	\$ 96,440	\$ 102,922
Cash Paid to Suppliers	(584,501)	(491,628)	(33,612)	(53,134)
Cash Paid to Employees	(176,184)	(179,289)	(45,741)	(46,883)
Cash Paid for Taxes	(117,888)	(104,891)	(19)	(4)
Net Cash from Operating Activities	306,846	300,875	17,068	2,901
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds of Interfund Loan/Note	70,000	2,500	5,200	5,950
Payment of Interfund Loan/Note	(2,500)	(100,000)	(5,950)	(7,200)
Proceeds from Revenue Anticipation Note	-	125,923	-	-
Payment of Revenue Anticipation Note	(307,210)	-	-	-
Interest Paid on RAN and City of Seattle Loan/Note	(7,541)	(11,451)	-	(2)
Operating Grants Received	3,047	1,837	109	102
Transfers In	9,594	6,911	9,142	12,077
Transfers Out	(25)	(25)	(4,105)	(8,005)
Receipts for Energy Conservation Augmentation	10,716	19,996	-	-
Payments for Energy Conservation Augmentation	(17,911)	(18,241)	-	-
Intergovernmental Revenues and Other	6,596	-	-	-
Net Cash from Noncapital Financing Activities	(235,234)	27,450	4,396	2,922
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	553,803	231,721	-	-
Principal Payments on Long-Term Debt and Refunding	(366,988)	(171,600)	(1,466)	(1,357)
Payment of Interfund Loan	-	(3,000)	-	-
Capital Expenditures and Deferred Charges Paid	(260,890)	(283,394)	(16,501)	(7,286)
Interest Paid On Long-Term Debt	(115,949)	(121,624)	(318)	(326)
Capital Fees and Grants Received	16,026	18,160	-	8
Proceeds from Sale of Capital Assets	729	835	-	1,454
Net Cash from Capital and Related Financing Activities	(173,269)	(328,902)	(18,285)	(7,507)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	40,651	260,641	-	-
Purchases of Investments	(133,333)	(114,511)	-	-
Interest Received on Investments	7,508	13,959	960	1,762
Net Cash from Investing Activities	(85,174)	160,089	960	1,762
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(186,831)	159,512	4,139	78
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	389,478	229,966	38,607	38,529
End of Year	\$ 202,647	\$ 389,478	\$ 42,746	\$ 38,607
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 47,325	\$ 65,775	\$ 42,683	\$ 38,550
Current Assets Restricted Cash and Equity in Pooled Investments	53,770	234,714	63	57
Noncurrent Assets Restricted Cash and Equity in Pooled Investments	101,552	88,989	-	-
Total Cash at the End of the Year	\$ 202,647	\$ 389,478	\$ 42,746	\$ 38,607

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the schedule of noncash activities of the statement of cash flows.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2003
(In Thousands)

	L i g h t		W a t e r	
	2003	Restated 2002	2003	Restated 2002
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 38,937	\$ 58,755	\$ 31,604	\$ 27,297
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	69,270	66,486	28,123	25,171
Depreciation and Amortization Included in Operations and Maintenance	10,712	9,803	-	-
Amortization of Deferred Power Costs	100,000	100,000	-	-
Changes in Operating Assets and Liabilities				
Accounts Receivable	(6,392)	(19,604)	1,184	(1,623)
Unbilled Receivables	(1,116)	1,287	194	(632)
Other Receivables	(3,648)	12,678	(56)	-
Due from Other Funds	1,169	(1,526)	(1,045)	930
Due from Other Governments	(4,021)	973	167	-
Materials and Supplies Inventory	1,723	1,363	55	(318)
Accounts Payable	(19,558)	17,780	(1,296)	4,332
Salaries, Benefits, and Payroll Taxes Payable	281	847	315	34
Compensated Absences Payable	52	456	252	(80)
Due to Other Funds	(674)	2,039	(481)	(17)
Due to Other Governments	-	-	-	-
Claims Payable	3,181	2,386	2,494	721
Energy and Other Contracts Payable	(1,843)	(9,424)	-	-
Taxes Payable	988	145	110	-
Deferred Credits	15,754	3,409	6,960	-
Other Assets and Liabilities	10,122	(10,431)	294	(796)
Total Adjustments	176,000	178,667	37,270	27,722
Net Cash from Operating Activities	<u>\$ 214,937</u>	<u>\$ 237,422</u>	<u>\$ 68,874</u>	<u>\$ 55,019</u>
SCHEDULE OF NONCASH ACTIVITIES				
In-Kind Capital Contributions	\$ 9,220	\$ 1,567	\$ -	\$ -
Property Purchase	5,565	-	-	-
Disposal of Equipment	-	-	-	-
Fair Value Adjustment of Long-Term Investments	2	-	75	-
Total Noncash Activities	<u>\$ 14,787</u>	<u>\$ 1,567</u>	<u>\$ 75</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2003
(In Thousands)

	Drainage and Wastewater		Nonmajor Funds	
	2003	Restated 2002	2003	Restated 2002
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 7,398	\$ 3,500	\$ (3,767)	\$ (7,389)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	7,616	7,559	9,254	8,552
Depreciation and Amortization Included in Operations and Maintenance	-	-	-	-
Amortization of Deferred Power Costs	-	-	-	-
Changes in Operating Assets and Liabilities				
Accounts Receivable	(47)	(414)	2,778	(1,107)
Unbilled Receivables	(996)	(829)	(5)	(48)
Other Receivables	4	-	-	-
Due from Other Funds	(70)	(173)	320	701
Due from Other Governments	(376)	-	706	106
Materials and Supplies Inventory	-	-	2	-
Accounts Payable	(3,723)	512	(1,048)	2,222
Salaries, Benefits, and Payroll Taxes Payable	210	43	113	113
Compensated Absences Payable	205	86	117	265
Due to Other Funds	52	712	827	318
Due to Other Governments	5,271	-	(132)	-
Claims Payable	3,954	309	332	(187)
Energy and Other Contracts Payable	-	-	-	-
Taxes Payable	18	-	21	10
Deferred Credits	273	-	(550)	-
Other Assets and Liabilities	(3,751)	(4,889)	(1,971)	(1,538)
Total Adjustments	8,640	2,916	10,764	9,407
Net Cash from Operating Activities	<u>\$ 16,038</u>	<u>\$ 6,416</u>	<u>\$ 6,997</u>	<u>\$ 2,018</u>
SCHEDULE OF NONCASH ACTIVITIES				
In-Kind Capital Contributions	\$ -	\$ 42	\$ -	\$ -
Property Purchase	-	-	-	-
Disposal of Equipment	-	-	-	28
Fair Value Adjustment of Long-Term Investments	-	-	-	-
Total Noncash Activities	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 28</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2003
(In Thousands)

	Comparative Totals		Internal Service Funds	
	2003	Restated 2002	2003	2002
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 74,172	\$ 82,163	\$ 742	\$ (1,906)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	114,263	107,768	13,035	11,516
Depreciation and Amortization Included in Operations and Maintenance	10,712	9,803	-	-
Amortization of Deferred Power Costs	100,000	100,000	-	-
Changes in Operating Assets and Liabilities				
Accounts Receivable	(2,477)	(22,748)	132	71
Unbilled Receivables	(1,923)	(222)	31	1,153
Other Receivables	(3,700)	12,678	-	-
Due from Other Funds	374	(68)	(257)	4,235
Due from Other Governments	(3,524)	1,079	797	93
Materials and Supplies Inventory	1,780	1,045	75	310
Accounts Payable	(25,625)	24,846	(2,616)	1,373
Salaries, Benefits, and Payroll Taxes Payable	919	1,037	175	(1,734)
Compensated Absences Payable	626	727	105	(1,674)
Due to Other Funds	(276)	3,052	2,187	(6,284)
Due to Other Governments	5,139	-	-	-
Claims Payable	9,961	3,229	512	(291)
Energy and Other Contracts Payable	(1,843)	(9,424)	262	-
Taxes Payable	1,137	155	1	(3,961)
Deferred Credits	22,437	3,409	43	-
Other Assets and Liabilities	4,694	(17,654)	1,844	-
Total Adjustments	232,674	218,712	16,326	4,807
Net Cash from Operating Activities	<u>\$ 306,846</u>	<u>\$ 300,875</u>	<u>\$ 17,068</u>	<u>\$ 2,901</u>
SCHEDULE OF NONCASH ACTIVITIES				
In-Kind Capital Contributions	\$ 9,220	\$ 1,609	\$ -	\$ -
Property Purchase	5,565	-	-	-
Disposal of Equipment	-	28	-	-
Fair Value Adjustment of Long-Term Investments	77	-	-	-
Total Noncash Activities	<u>\$ 14,862</u>	<u>\$ 1,637</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.